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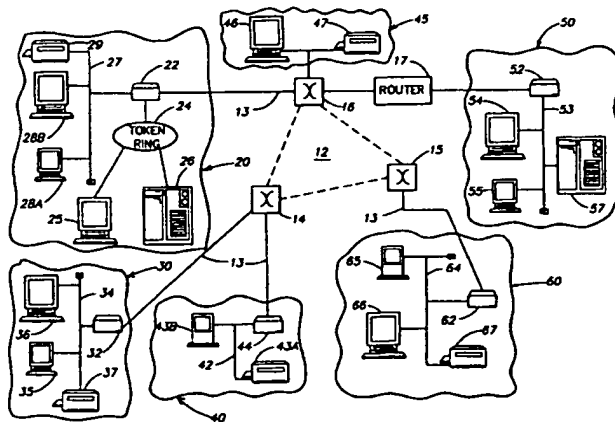
(57) Abstract

A computer–based system, arranged for communication with several user interfaces, enables creation of a current asset. The system includes an option grantor interface, a grantee interface, a financial institution interface, and an insurance company interface, all of which are used as follows. An option grantor, having a capacity to purchase goods or services in the course of business, agrees with a grantee to grant to the grantee a cross purchase option contract having a predetermined term and agreed conditions. The grantee receives the cross purchase option contract having an associated indicator in the form of a known number of cross purchase units that are retired as the goods or services are purchased pursuant to the cross purchase option contract. The grantee provides an asset to the option grantor. The financial institution purchases trade receivables from the grantee, wherein the trade receivables are generated by satisfying the option contract. The insurance company provides an insurance contract to the financial institution, wherein the insurance contract assures that, during the predetermined term, the cross purchase option contract will result in a payment to the financial institution sufficient to satisfy the purchased trade receivables.

SYSTEM, METHOD AND ARTICLES FOR FACILITATING
SECURED OPTION CONTRACTS
Field of the Invention

5   The present invention relates to a system and method for enhancing
cash-based and non-cash-based commerce.

Background of the Invention

         The cash-based commerce systems involve one party delivering to
another party goods or services in exchange for cash payment or the promise of
10   cash payment. Alternatively, countertrade forms of commerce involve the use of
non-cash forms of payment using different concepts such as corporate barter,
currency generation, or offset. Countertrade commerce uses different
transactions for a variety of purposes, including asset valuation recovery,
financing, and cost reduction programs.

15   Over the last two decades, national and international commerce have
undergone significant changes. Various network systems have been created to
facilitate the computerized purchase and sale of goods and services, or
exchange of various goods and services. These network systems connect buyer
computers, merchant computers, advertiser computers, and payment computers,
20   sometimes to or through one or several sites on the World Wide Web existing on
the global Internet.

         In cash-based commerce, a first type of a network system is based on
offers from a merchant computer. That is, the merchant computer provides
advertised products or services. A buyer uses a buyer computer to request and
25   view the advertised products and then send from the buyer computer a purchase
message describing a selected product to the merchant computer. The
merchant computer constructs a payment order, sends it to a payment computer,
and receives authorization from the payment computer. After receiving the
authorization, the selected product is sent to a designated computer
30   electronically (when the selected product is a software program, a picture, data
or another digitized product) or shipped to an address provided by the user
(when the selected product is not or cannot be digitized).

There are other variations to the above-described purchase method conducted over a network system using cash-based transactions. For example, when purchasing a selected product or service, the buyer computer can send the purchase order directly to a payment computer and the payment computer can

5   send authorization back to the buyer computer, in the form of a secure digital certificate. This secure certificate is then sent to the merchant computer, which causes the electronic transfer or physical shipment. Alternatively, the payment computer can send the authorization to the merchant computer, which causes the electronic transfer or physical shipment. The buyer computer can also have

10 secure "cash certificates," pre-authorized by the payment computer. Then, the buyer computer can send directly the purchase message, describing the selected product or service, together with the secure "cash certificates" to the merchant computer. The merchant computer "recognizes" the cash certificates as a valid form of cash payment and causes the electronic transfer or the

15 physical shipment of the ordered product. The merchant computer assembles a number of the cash certificates received from several purchase transactions and presents them to the payment computer. The payment computer causes a cash transfer to the merchant's account.

There are other types of network systems that connect buyers and sellers

20 and provide efficient ways to conduct the transactions. For example, a network system may enable a buyer to submit a detailed request that specifies requested goods or services and their price to a merchant computer. The merchant computer may be also a network site accessible by several seller computers or service provider computers, each of which can supply one or several goods and

25 services. After submitting the request for goods or services, a number of seller computers or service provider computers may respond to the buyer with customized responses and offers to sell goods or services. The buyer computer can then compare the responses and determine which seller or provider best meets his needs.

30 Another type of a network system can include one or more intermediaries. These intermediaries collect advertisements or offers of goods or services with detailed descriptions and prices from buyer computers and seller computers.

The intermediaries then post the collected information on their web site or actively seek buyers or sellers using their databases. For example, the collected information can be matched to the addresses of different businesses expected to have a need for advertised goods or services or a supply of desired goods or services. The entire process may be fully automated and transacted over a computer network. Thus, these networks can improve market efficiency by avoiding an extended search or advertising, and by expediting the selection and order process.

Existing on-line business marketplaces and portals enable efficient screening, selection and matching of buyers and sellers of goods and services. Furthermore, the on-line exchanges enable efficient trading in raw material, parts, surplus inventory or customized items. Several companies have seamlessly integrated their enterprises with such exchanges and created content management platforms and applications that provide flexible solutions built on open application servers. These networks can also provide security and confidentiality using encryption techniques.

Non-cash based commerce provides the possibility for asset value recovery in cases where assets have diminished values due to market factors or other factors. Asset valuation recovery enables recovery of up to the original value (or the book value) of the asset (e.g., raw material, products, real estate, services). Businesses experience significant needs in this area because of the frequent differences between the book values and the market values of their assets. Asset valuation recovery may be practiced using corporate barter, where the deficient asset having a diminished value is sold for trade credit having potentially a higher price than the fair market value of the asset. The asset is exchanged not for an immediate delivery of goods, services, or cash, but only for a trade credit which may or may not be exercised depending on the market conditions. Since this trade credit has a lower value than the book value, the deficient asset may need to be "written-down" to the lower cost or market value. Writing down the value of the asset means the seller must declare a loss on its books, which in turn may negatively affect the perception of the seller's financial condition (and thus the seller's stock valuation).

The use of a barter exchange, however, may result in a smaller loss than would have been experienced if the assets were sold conventionally for cash. In the barter exchange, a trade facilitator issues a trade credit to a seller for a higher price than the fair market value of the asset (e.g., raw material, products,

5   real estate, services). Since the seller can potentially achieve cash savings in future purchases, the seller can realize a degree of asset valuation recovery. It is important to note that the recipient of the trade credit (e.g., the seller the deficient asset), in an effort to realize asset valuation recovery, has invested in the corporate barter process and assumed the associated risk. The investment

10   is equal to the cash liquidation value of the asset given in exchange for the trade credit. Over the life of the trade credit, if the trade credit cannot be used fully, this investment (or some part of the investment) is lost. Thus the seller can potentially loose more than the difference between the book value and the market value of the deficient asset. This is a major weakness of corporate barter

15   when used for asset valuation recovery.

In general, there is a need for an efficient process of selecting and matching the needs of buyers and sellers of goods or services. Furthermore, there is a need for a system, method and product that will permit a business to exercise its future purchasing power or future selling abilities to achieve a

20   present financial advantage.

Summary of the Invention

The invention relates to a system, method, and insurance product that create a marketable asset (i.e., a saleable asset) based on purchasing or selling

25   capabilities of an entity coupled to an insurance that covers the value of the purchasing or selling capabilities quantified in a contract. The novel insurance product covers the use of and/or value of a cross purchase option contract. Alternatively, the novel insurance product that covers the use of and/or value of a cross sell option contract.

30   The invention enables, *inter alia*, asset valuation recovery, financial services and cost reduction programs applicable to cash-based and non-cash-based commerce. The present system, method, and insurance product singly,

or in any combination, enable prospective sellers and buyers to exchange goods or services at their desired, different prices by coupling this exchange to their purchasing or selling capabilities. Thus, the present system, method, or product provides a highly effective commerce system that improves the ability of sellers

5   to achieve their price objectives while providing buyers an opportunity to acquire goods or services (i.e. goods, services, or both) for a current outlay of a substantially lower value than the seller's price.

According to one aspect, a method for creating an asset, includes agreeing by an option grantor, which has a capacity to purchase in the course of

10   business, to grant a cross purchase option contract (a CPO contract), having a predetermined term; receiving the CPO contract by a trade facilitator engaged in commercial trade, or receiving the CPO contract by a supplier that can directly supply to the option grantor to satisfy the CPO contract (or another grantee), wherein the CPO contract has an associated indicator in form of a known

15   number of cross purchase units. The method for creating an asset further includes providing the created asset to the option grantor; purchasing by an institution a portion of trade receivables, wherein the trade receivables are generated by satisfying the option contract; and providing an insurance contract by an insurance company to the institution. The insurance contract assures that

20   during the predetermined term the CPO contract will result in a payment to the institution sufficient to satisfy the purchased trade receivables.

Preferably, according to this aspect, the act of providing of the created asset includes paying a monetary payment (either directly, by draft, electronic funds transfer, secure cash certificate or indirectly by other means) to the option

25   grantor, or paying the currency to a third-party beneficiary. The act of providing the created asset includes purchasing from the option grantor goods or services in exchange for a price that is higher than the current market value of the goods or services. The institution purchasing a portion of trade receivables may be a trade facilitator, a supplier, or an insurance company. Importantly, any two or

30   more of the above steps may be combined.

According to another aspect, a system for creating an asset includes an option grantor, a grantee, a financial institution, and an insurance company. The

option grantor, having a capacity to purchase goods or services in the course of business, agrees to grant to the grantee a cross purchase option contract having a predetermined term and agreed conditions. The grantee receives the cross purchase option contract having an associated indicator in the form of a known

5   number of cross purchase units that are retired as the goods or services are purchased pursuant to the cross purchase option contract. The grantee provides an asset to the option grantor. The financial institution purchases trade receivables from the grantee, wherein the trade receivables are generated by satisfying the option contract. The insurance company provides an insurance

10   contract to the financial institution, wherein the insurance contract assures that during the predetermined term the cross purchase option contract will result in a payment to the financial institution sufficient to satisfy the purchased trade receivables.

Preferably, the conditions of the option contract are such that the option

15   grantor is not required to recognize a liability under applicable accounting rules by issuing the option contract.

The created asset may include a monetary payment to the option grantor. The created asset may involve purchasing from the option grantor a deficient asset in exchange for a price that is higher than the current market value.

20   The grantee may be a trade facilitator engaged in commercial trade. The grantor may be a client of the trade facilitator. The grantee may be a supplier that can directly supply to the option grantor to satisfy the cross purchase option contract.

According to yet another aspect, a method for creating an asset, includes

25   agreeing by an option grantor, which has a capacity to purchase in the course of business, to grant a cross sell option contract (a CSO contract), having a predetermined term; receiving the CSO contract by a trade facilitator engaged in commercial trade, or receiving the CSO contract by a buyer that can directly buy from the option grantor to satisfy the CSO contract (or another grantee), wherein

30   the CSO contract has an associated indicator in form of a known number of cross sell units (CSUs). The method for creating an asset further includes providing a created asset to the option grantor; purchasing by a financial

institution a portion of trade receivables, wherein the trade receivables are generated by satisfying the option contract; and providing an insurance contract by an insurance company to the financial institution. The insurance contract assures that during the predetermined term the CSO contract will result in a

5   payment to the financial institution sufficient to satisfy the purchased trade receivables.

Preferably, according to this aspect, the act of providing of the created asset includes making a monetary payment (either directly, by draft, electronic funds transfer, secure cash certificate, or indirectly by other means) to the option

10   grantor, or paying the currency to a third-party beneficiary. The act of providing the created asset includes purchasing from the option grantor goods or services in exchange for a price that is higher than the current market value of the goods or services. The institution purchasing a portion of trade receivables may be a trade facilitator, a buyer, or an insurance company. Again, any two or more of

15   the above steps may be combined and performed by a single entity.

According to yet another aspect, a system for creating an asset includes an option grantor, a grantee, a financial institution, and an insurance company. The option grantor, having a capacity to sell goods or services in the course of business, agrees to grant to the grantee a cross sell option contract having a

20   predetermined term and agreed conditions. The grantee receives the cross sell option contract having an associated indicator in the form of a known number of cross sell units that are retired as the goods or services are sold pursuant to the cross sell option contract. The grantee provides an asset to the option grantor. The financial institution sells trade receivables from the grantee, wherein the

25   trade receivables are generated by satisfying the option contract. The insurance company provides an insurance contract to the financial institution, wherein the insurance contract assures that during the predetermined term the cross sell option contract will result in a payment to the financial institution sufficient to satisfy the purchased trade receivables.

30   Preferably, the conditions of the option contract are such that the option grantor is not required to recognize a liability under applicable accounting rules by issuing the option contract.

The created asset may include a monetary payment to the option grantor. The created asset may involve purchasing from the option grantor a deficient asset in exchange for a price that is higher than the current market value.

The grantee may be a trade facilitator engaged in commercial trade. The grantor may be a client of the trade facilitator. The grantee may be a buyer that can directly buy to the option grantor to satisfy the cross purchase option contract.

According to yet another aspect, a system for creating an asset by commercial activities between an option grantor, a trade facilitator (a supplier or another grantee), a financial institution, an insurance company. The option grantor has a capacity to purchase in the course of business, and agrees to grant a CPO contract, having a predetermined term. The trade facilitator engaged in commercial trade (or the supplier that can directly supply to the option grantor to satisfy the CPO contract) receives the CPO contract, having an associated indicator in form of a known number of the CPUs, provides a created asset to the option grantor. The financial institution purchases a portion of trade receivables from the trade facilitator, wherein the trade receivables are generated by satisfying the option contract. The insurance company provides an insurance contract to the financial institution guaranteeing a payment in an amount corresponding to a portion of the known number of the CPUs not retired during the option term.

Preferably, according to this aspect, the trade facilitator (or the supplier) provides the created asset by paying a monetary payment (either directly, by draft, electronic funds transfer, secure cash certificate or indirectly by other means) to the option grantor, or paying the currency to a third party beneficiary. . The trade facilitator (or the supplier) provides the created asset by purchasing from the option grantor goods or services in exchange for a price that is higher than the current market value of the goods or services. Importantly, the above-recited activities performed by any two or more entities can be combined and performed by a single entity. For example, the trade facilitator may also perform the activities of the financial institution or the insurance company, or both.

According to yet another aspect, a system for creating an asset by commercial activities between an option grantor, a trade facilitator (a buyer or another grantee), a financial institution, an insurance company. The option grantor has a capacity to sell in the course of business, and agrees to grant a

5　CSO contract, having a predetermined term. The trade facilitator engaged in commercial trade (or the buyer that can directly buy from the option grantor to satisfy the CSO contract) receives the CSO contract, having an associated indicator in form of a known number of the CSUs, provides a created asset to the option grantor. The financial institution purchases a portion of trade receivables

10　from the trade facilitator, wherein the trade receivables are generated by satisfying the option contract. The insurance company provides an insurance contract to the financial institution guaranteeing a payment in an amount corresponding to a portion of the known number of the CSUs not retired during the option term.

15　Preferably, according to this aspect, the trade facilitator (or the buyer) provides the created asset by paying a currency to the option grantor, or paying the currency to a third party beneficiary. The trade facilitator (or the buyer) provides the created asset by purchasing from the option grantor goods or services in exchange for a price that is higher than the current market value of

20　the goods or services. The above-recited activities performed by any two or more entities can be combined and performed by a single entity. For example, the trade facilitator may also perform the activities of the financial institution or the insurance company, or both.

According to yet another aspect, an insurance product includes a first

25　element naming a financial institution as a beneficiary, and a second element including a performance guarantee. The financial institution purchases from a trade facilitator a portion of cash flow derived by retiring CPUs in a process of buying goods or services pursuant to a CPO contract. The performance guarantee assures that, during a predetermined option period, a named entity

30　will purchase from the trade facilitator a sufficient amount of specified goods or services indicated by the CPUs which will result in payment to the financial

institution of an amount sufficient to satisfy the purchase made by the financial institution.

According to yet another aspect, an insurance product includes a first element naming a financial institution as a beneficiary, and a second element including a performance guarantee. The financial institution purchases from a trade facilitator a portion of cash flow derived by retiring CSUs in a process of buying goods or services pursuant to a CSO contract. The performance guarantee assures that, during a predetermined option period, a named entity will sell to the trade facilitator a sufficient amount of specified goods or services indicated by the CSUs which will result in payment to the financial institution of an amount sufficient to satisfy the purchase made by the financial institution.

The above system, method, and insurance product include any use of the purchasing and/or the selling activities of an entity and/or any other form of option to derive benefits for the purpose of:

a)   providing asset valuation recovery;

b)   providing any entity with net worth protection;

c)   providing any entity with income generation;

d)   providing any entity with cash flow benefits;

e)   improving the capitalization structure of an entity and/or increasing the valuation of an entity and/or increasing the net worth of an entity;

f)   deriving additional economic benefit to merger and acquisition activities;

g)   providing any benefit to a leasing product or service;

h)   providing any benefit to any financial type of financial service or product;

i)   providing any benefit to any type of cost reduction program or service;

j)   improving option trading capabilities and/or opportunities;

k)   establishing a hedging fund and/or a hedging technique, this would include both currency and interest rate hedging schemes;

l)   facilitating the use of Export Agency Funding;

m)   providing a mechanism for International Balance of Trade stabilization and/or improvement;

n)   funding any socio-economic development programs, this would include the UNDP (United Nations Development Program);

5   o)   providing any benefit to a not-for-profit organization;

p)   providing any benefit to any type of liability coverage product;

r)   providing any benefit to any type of insurance product;

s)   providing any benefit to export finance;

t)   providing any benefit to project finance;

10   u)   providing any benefit to offset finance; and

v)   providing any benefit to a Financial Engineering technique, Trade Finance Structure, Countertrade Process or any type of derivative based process.

The above aspects are based on a derivative based process that creates

15 a value, which can be securitized (insured or guaranteed). The securitized value forms a saleable asset or an asset that can be used for any of the purposes listed above.

The claimed method, system and product provide an alternative to the conventional "opportunity with investment risk" and facilitate an immediate asset

20 valuation recovery. They permit a business to exercise its future purchasing power to present financial advantage. Specifically, they allow a business to create, based on its future purchasing or selling power, a saleable asset.

The above-described features, aspects and advantages will be more readily understood from the accompanying drawing figures, which should be

25 read in conjunction with the detailed description which follows.

Brief Description of the Drawings

Various embodiments of the present invention will now be described by way of examples with reference to the drawings in which:

30   Fig. 1 illustrates a network sale system connecting client computers, trade facilitator computers, buyer computers, seller computers, insurance institution computers, and financial institution computers;

Fig. 2 illustrates an exemplary application of trade finance insurance to enable a trade facilitator to fund a purchase of an underperforming asset;

Fig. 3 illustrates another exemplary application of trade finance insurance to enable the trade facilitator to fund a purchase of an underperforming asset;

Fig. 4 illustrates yet another exemplary application of trade finance insurance to enable the trade facilitator to fund international trade transactions; and

Fig. 5 illustrates steps performed by a management information system operating over the network sale system shown in Fig. 1.

Detailed Description

Fig. 1 illustrates a network sale system connecting a trade facilitator computer network 20, a client computer network 30, a buyer computer network 40, a seller computer network 45, an insurance institution computer network 50, and a financial institution computer network 60. The network sale system is connected together by a communication network (e.g., an ATM network 12) and private networks 20, 30, 40, 45, 50 and 60. The communication network includes links 13, network switches 14, 15 and 16, and a router 17.

Trade facilitator computer network 20 includes a bridge 22 connected to a token ring network 24 and an Ethernet network 27. Token ring network 24 provides connection, for example, to a general purpose computer 25 and a storage device 26. Ethernet network 27 is connected to general purpose computers (for example, computers 28A and 28B), a printer 29 and other devices. Client computer network 30 includes a bridge 32 connected to an Ethernet network 34, which is connected to general purpose computers 35 and 36, and a printer 37. Buyer computer network 40 includes a private network 42 connecting computer 43B and printer 43A to a bridge 44. Seller computer network 45 includes a computer 46 and printer 47, both connected to switch 16.

Insurance institution computer network 50 includes a bridge 52 connected to a private network 53, which provides connections to general purpose computers 54 and 55, and a storage device 57. Financial institution computer network 60 has a bridge 62 providing a connection between switch 15

and a private network 64, which in turn provides connections to general purpose computers 65 and 66, a printer 67 and other possible devices. The above is only an example of networks 20, 30, 40, 45, 50 and 60, which may include other devices and may be connected together differently. Each element of these

5 networks is optional and the claimed invention may also be practiced even without any network system, with any of the networks replaced by a single computer, or even without any computer.

Fig. 2 illustrates a system and a method that can be practiced on the above-described network system. The system and method use trade finance

10 insurance to enable a trade facilitator to fund a purchase of an underperforming asset from his client without the client having to record a loss or liability. Referring to Fig. 2, a client 102 (i.e., a client of a trade facilitator) owns a building 105 (i.e., an underperforming or deficient asset), having a book value of $15 million, but a market value of only $8 million. A trade facilitator 116 enters into a

15 contract with client 102 pursuant to which trade facilitator 116 buys building 105 for $15 million and, furthermore, client 102 agrees to grant to trade facilitator 116 a cross purchase option (CPO) contract, valued at 22 million cross purchase units (CPUs).

In this transaction, client 102 receives $15 million in cash (indicated as a

20 transfer 106) immediately upon agreeing to transfer building 105 (transfer 108) and granting the 22 million CPUs (transfer 110) to trade facilitator 116. Thus, client 102 did not need to record a loss of $7 million for sale of building 105 (i.e., the difference between the asset's book value of $15 million and market value of only $8 million) which would occur had the client sold building 105 on the open

25 market.

To obtain $15 million in cash for the purchase of building 105, trade facilitator 116 sells to a financial institution 120 a portion of the cash flow (i.e., a portion of the trade receivables) corresponding to the 22 million CPUs. Financial institution 120 buys the 22 million CPUs (indicated as a transfer 122), which

30 represent $22 million over the term of the CPO contract, and pays $15 million (indicated as a transfer 124) to trade facilitator 116. Trade facilitator 116 transfers $15 million in cash to client 102, as the above-described transfer 106.

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Financial institution 120, however, may require an insurance policy from an insurance company 126 to reduce the risk of the trade receivable purchase. (Ordinarily, a financial institution may not be able to buy the trade receivables, or may require a very large discount due to a high risk of the above transaction.)

5   Trade facilitator 116 buys from insurance company 126 the insurance policy (indicated as 128), designating financial institution 120 as the beneficiary, and pays the insurance premium (indicated as payment 130). The insurance policy 128 guarantees the retirement of the 22 million CPUs, which generate the cash flow of $22 million to financial institution 120, over the term of the CPO

10   contract (e.g., three years); otherwise, insurance company 126 pays the unrealized difference after the three-year period. The main characteristics of the insurance policy are described below.

      In general, a CPO contract is an opportunity for a trade facilitator to sell to his client goods or services in accordance with a mutually agreed procedure.

15   The CPO contract term is limited to a specified number of years, or the consumption of a specified number of CPUs, whichever occurs first. Thus, the CPUs are a measure of the CPO contract term. For trade facilitator 116, the number of CPUs is a measure of trade obligation. For insurance company 126, the number of CPUs is a measure of their financial exposure. For financial

20   institution 120, the number of CPUs is a measure of the purchased trade receivables, wherein financial institution 120 receives a portion of the cash flow that is correlated to the cost spread (described below).

      In the above transaction, trade facilitator 116 sells building 105 for $8 million on the open market (indicated as a transfer 118) and uses the proceeds

25   from the sale of building 105, i.e., $8 million (indicated as a transfer 119) as working capital. Trade facilitator 116 can use the working capital to fund the insurance premium (130) and buy goods and services for sale to client 102 under the CPO contract. Trade facilitator 116 uses his trading partners (shown as 136) to sell to client 102 goods or services (indicated as a transfer 132) and

30   receives payments for the sold goods or services (indicated as a transfer 134). The cost spread or a portion of the cost spread from these transactions (indicated as a transfer 138) is sent to financial institution 120.

The CPO contract is exercised by trade facilitator 116 during a three-year term (or another specified term) and for the specified amount of CPUs. The CPO contract may be structured in several different ways. Preferably, the CPO contract is "a right of first refusal" under which trade facilitator 116 can supply to client 102 the goods or services as needed in the ordinary course of business. For this purpose, trade facilitator 116 and client 102 establish a list of benchmarks. That is, trade facilitator 116 and client 102 jointly identify specific spending areas of client 102, and these spending areas form the basis of the CPO contract. Client 102 may identify in the CPO contract lists of pre-approved suppliers for various goods or services. Furthermore, client 102 establishes benchmark pricing based on the existing or historical needs to purchase goods or services. To exercise the CPO contract, trade facilitator 116 has to match all commercial terms and benchmark pricing.

In the CPO contract, the amount of the CPUs must be set high enough so that the profits, realized when exercising the CPO contract, will be larger than the difference of the amount of initial cash paid and the actual market value of the deficient asset sold (if any) by client 102. That is, trade facilitator 116 needs to realize a known minimal profit over the three-year term of the CPO contract, financial institution 120 needs to collect fully the insured amount (purchased on a discounted basis). The trade facilitator's profit depends on the cost spread and other transactional costs, including the insurance premium paid to insurance company 126. The amount of the CPUs set in the CPO contract also reflects the CPU usage ratio historically achieved (or expected to be achieved) by trade facilitator 116. The CPU usage ratio varies depending on the type of goods or services covered by the CPO contract.

Based on the established procedure, prior to any purchase of goods or services, client 102 submits a description of their needs to trade facilitator 116. If trade facilitator 116 can supply the needed goods or services to client 102, he has the right to do so under the CPO contract 110. After this transaction is completed, trade facilitator 116 "retires" a certain amount of CPUs with financial institution 120, depending on the cash flow to financial institution 120. The cash flow to financial institution 120 reflects the spread between the cost of the

supplied goods or services to trade facilitator 116 and their sale price to client 102. Therefore, the specific amount of the goods or services to be provided under the CPO contract cannot be predetermined because the spread (i.e., the price differential) for the needed goods and services will vary depending on the

5   market conditions. If trade facilitator 116 has an average 10% spread, he must sell not less than $220 million worth of goods or services to client 102, over the three-year term of the CPO contract, to retire the 22 million CPUs.

Alternatively, the CPO contract can specify the goods or services to be sold to client 102, their quantity, or price. This CPO contract may resemble the

10   standard options to sell contracts ("puts"). Trade facilitator 116 can evaluate the market forces and acquire the standard options to buy calls ("calls"). Trade facilitator 116 links the PUT and CALL positions in the network system (shown diagrammatically in Fig. 1) to evaluate the value of the CPO contract. This type of CPO contract is more "predictable" for trade facilitator 116, financial

15   institution 120 and insurance company 126; however, it binds client 102 to specified commercial terms and thus may be negatively reflected on the client's accounting statement.

Pursuant to a CPO contract, trade facilitator 116 supplies needed goods or services to client 102. The entire transaction may be computerized using the

20   network of Fig. 1. Client 102 enters (for example, on computer 36) the description of goods and services as needed in their ordinary course of business. This description is transmitted via network 12 to trade facilitator network 20 and stored, for example, in storage device 26. Different sellers can submit to trade facilitator network 20 their advertisements or even offers to sell

25   their goods or services using their networks 45. Storage device 26 thus includes a database of goods and services available for sale by various sellers received via network 12. Different buyers can submit to trade facilitator network 20, using their network 40, their advertisements or offers to buy goods or services. Trade facilitator 116 (for example, by using computer 25) determines if the client's

30   requirements can be met, that is, whether he can generate a sufficient spread between the goods and services offered by the seller and the goods and services needed by client 102. If trade facilitator 116 cannot generate a

sufficient spread, client 102 is free to procure these goods or services, under the same terms, from another source.

The trade facilitator's database includes the terms of numerous goods or services available for sale (or offered for sale) and wanted for purchase (or

5   offered to buy). The system links together the offers and creates a trade routing map achieving a cost spread. The map shows a match between the goods or services needed by client 102 and available to trade facilitator 116. The individual links in the map may have different forms and can be executed automatically or under the supervision of a human. For example, the trade

10   facilitator's system may directly match a telecommunications put and a telecommunications call, while achieving a cost spread. The trade facilitator's system can indirectly match a put in delivery services to a trade routing map that includes a trade position in raw plastic materials to acquire automobile tires. The automobile tires can then be used to acquire the delivery services. The terms of

15   sale and purchase of the raw plastic material and automobile tires are entered by the respective seller and buyer using seller computer network 45 and buyer computer network 40. There may, of course, be numerous seller computer networks 45 and buyer computer networks 40, which are connectable to network 12 for entering the individual terms.

20   The feasibility of a selected trade routing map is assessed by the cost spread, i.e., a cash benefit arising from the price differential when the purchase under the CPO contract is exercised. The trade routing map includes a series of performed transactions. In some situations, one or several individual transactions may not achieve a cost spread, but the overall transaction can still

25   achieve the cash benefit. The value of the purchasing activities depends on trade capabilities derived from (i) investments in time-sensitive surplus products and excess (production or other) capabilities; (ii) marketing alliances, (iii) purchasing alliances; (iv) trade positions and availabilities to trade facilitator 116; (v) trading strategies designed to move financial leverage acquired in one type of

30   goods or services to another type of goods or services; and (vi) trading techniques using tolling, spiral trades, or trade-up in commodities to increase

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their value (e.g., manufacturing or processing of acquired raw materials to realize additional value created by the manufacturing process).

Trade facilitator 116 is in a unique position to generate additional profits beyond those others might achieve by selling the goods and services to client

5   102. Having acquired the right to sell specific kinds of goods or services over a predetermined period, trade facilitator 116 can approach purveyors of those goods or services to bargain for the best price on future guaranteed sales. Moreover, trade facilitator 116 can participate in one or more trading organizations and may enter into similar CPO contracts with several clients.

10 Thus, trade facilitator 116 may acquire the ability to aggregate the right to sell the same kind of goods or services to multiple clients. By increasing the purchasing power trade facilitator 116 can obtain price concessions from suppliers. Moreover, trade facilitator 116 can obtain, through other such transactions, the right to sell goods or services to those suppliers.

15 Fig. 3 illustrates another system and method for using trade finance insurance to enable trade facilitator 116 to purchase an underperforming asset without a client 103 realizing a loss. As in the embodiment of Fig. 2, client 103 owns a building 105, which has a book value of $15 million but a market value of only $8 million. For example, client 103 is an off-shore oil producer. Trade

20 facilitator 116 enters into a contract with client 103 to buy building 105 and receive a cross sell option (CSO) contract (transfer 111) valued at 22 million cross sell units (CSUs). Different types of CSO contracts are discussed below.

Trade facilitator 116 sells to financial institution 120 a portion of the trade receivables corresponding to the 22 million CSUs. Financial institution 120 buys

25 the 22 million CSUs (indicated as a transfer 122) and pays $15 million in cash (indicated as a transfer 124) to trade facilitator 116. Trade facilitator 116, in turn, transfers $15 million in cash to client 103 immediately at the time of the transfer of building 105. To minimize the risk of this transaction for financial institution 120, trade facilitator 116 obtains from insurance company 126 an insurance

30 policy that designates financial institution 120 as the beneficiary, and insures that the 22 million CSUs will be consumed. Trade facilitator 116 pays the insurance premium (indicated by arrow 130) and insurance company 126 issues the

insurance policy (128). Trade facilitator 116 sells building 105 (transaction 118) on the open market for $8 million (transaction 119) and uses the proceeds from this sale as working capital.

In general, a CSO contract gives a trade facilitator an option to acquire from his client goods or services in accordance with a mutually agreed procedure. The CSO contract term is limited to a specified number of years, or the consumption of a specified number of CSUs, whichever occurs first. Therefore, the CSUs are a measure of the CPO contract term. For trade facilitator 116, the number of CSUs is a measure of trade obligation. For insurance company 126, the number of CSUs is a measure of their financial exposure. For financial institution 120, the number of CSUs is a measure of the purchased trade receivables.

There are several types of CSO contracts. A client may grant to a trade facilitator (i) an option to acquire a product credit, (ii) a product credit, (iii) the right to acquire specific goods or services at the client's cost of production or cost of sale, or (iv) the right to acquire specific goods or services for a specified price, at a specified time (which may be similar to a forward contract). The trade facilitator uses the product credit as partial payment when purchasing goods or services from the client (i.e., option grantor) For example, based on the CPO contract, the trade facilitator will pay for the purchased goods or services using 20% of the price in product credits and 80% in cash. This relative amount of product credits to cash may range from 100% product credit and no cash to one percent product credit and 99% cash. Additional information is provided in the co-pending U.S. Application Serial No. _____, entitled "System, method and articles for facilitating trade credits," filed on April 21, 2000, which is incorporated by reference.

Based on the above CSO contract, trade facilitator 116 has an option to buy or a right to buy oil from client 103. Even if the CSO contract is only an option to purchase oil only under the ordinary commercial terms of client 103 (i.e., the current market price at the time of sale during the CSO term), trade facilitator 116 still may be able to generate the spread in his transactions based on the assured stable supplies, advantageous locations or other factors.

Periodically, before any sale of goods or services, client 103 enters the terms of the sale into client computer 36 and provides this data via network 12 to facilitator network 20. The sale data is entered into the database stored in storage device 26, used by trade facilitator 116. As described above, the trade facilitator's system links one or more different transactions for the purpose of generating the cost spread. If the average cost spread for trade facilitator 116 is five percent, trade facilitator 116 has to generate transactions in the amount of $440 million to retire all CSUs over the predetermined period of the CSO contract.

In general, client 103 can convert its capacity to sell goods or services into a saleable asset regardless of any value recovery process (i.e., even if client 103 doesn't have any inventory or real estate with diminished value). Client 103 can grant to trade facilitator 116 a CSO contract that guarantees a supply of goods or services for a specified period of time according to prevailing market terms and conditions. Alternatively, client 103 can grant another type of a CSO contract with predetermined terms and conditions (e.g., quantity, quality, price, delivery date). When exercising the CSO contract, trade facilitator 116 retires a specified amount of CSUs, which are an indicator of the price differential applied to the prices of the traded goods or services. Trade facilitator 116 exercises the CPO contracts (right to sell to a client) and the CSO contracts (right to buy from a client) and provides the goods and services to different clients.

The client may derive an important advantage from the CPO or CSO contracts by avoiding a write-off when disposing of a deficient asset. Usually, when an entity disposes of a deficient asset (such as obsolete inventory having the book value greater than its market value) according to GAAP, the entity has to realize a loss if the transfer of the deficient asset did not generate a new asset that is equal to the book value of the deficient asset. The write-off is avoided in the above transaction if the client grants a CPO or CSO contract that includes purchase or sale terms tied to the client's ordinary course of business. (That is, the client grants a CPO or CSO contract that is only a right of first refusal to the trade facilitator.) A standard "put" or "call" contract would cause a valuation imbalance likely requiring the write-off.

In the example of Fig. 2, client 102 immediately received $15 million in exchange for both building 105 (having the book value of $15 million) and a CPO contract. Since the CPO contract included purchase terms according to the client's ordinary course of business, client 102 did not grant in the transaction
5   any valuable asset, under GAAP. Thus, client 102 does not need to record any loss.

In the example of Fig. 3, client 103 again received $15 million in exchange for both his building 105 (having the book value of $15 million) and a CSO contract. If the CSO contract includes a relative amount of product credits to
10   cash, wherein the cash portion is equal or higher than the cost of production (or the cost of sale), client 103 did not grant in the transaction any valuable asset, under GAAP. Thus, client 103 does not need to record any loss from the transaction. Therefore, client 102 or 103 can derive an important advantage from the CPO or CSO contracts, respectively.

15   The above-described transactions are used to create various saleable assets. The saleable assets arise by coupling a CPO contract (or a CSO contract) with an insurance policy guaranteeing a predefined amount of cash flow. If there is no sale of an obsolete inventory, or another asset having a diminished value, the above-described transactions can generate extra cash for
20   client 102 or 103.

For example, referring to Fig. 2, client 102 can grant the CPO contract, valued at 22 million CPUs, to trade facilitator 116 and receive in return immediately $15 million in cash. To get the $15 million in cash, trade facilitator 116 sells to financial institution 120 the trade receivables corresponding to the 22
25   million CPUs. At the same time, trade facilitator 116 buys from insurance company 126 the insurance policy, designating financial institution 120 as the beneficiary, and trade facilitator 116 pays the insurance premium to insurance company 126. The insurance policy guarantees the cash flow of $22 million to financial institution 120 within three years. Thus, client 102 turned his ability to
30   purchase goods or services in his ordinary course of business into $7 million in cash, which is a form of a saleable asset.

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Similarly, as shown in Fig. 3, client 103 can grant the CSO contract, valued at 22 million CSUs, to trade facilitator 116 and receive in return immediately $15 million in cash. To get the $15 million in cash, trade facilitator 116 sells to financial institution 120 the trade receivables corresponding to the 22

5   million CSUs. At the same time, trade facilitator 116 buys from insurance company 126 the insurance policy, designating financial institution 120 as the beneficiary, and trade facilitator 116 pays the insurance premium to insurance company 126. The insurance policy guarantees the cash flow of $22 million to financial institution 120 within three years. Thus, client 103 turned his ability to

10 sell his goods or services in his ordinary course of business into $7 million in cash by coupling it to the insured CPUs.

Referring to Fig. 4, according to another example, a client 104 wants to finance export (international trade) transactions. Client 104 is selling tractors for $10 million to an emerging market country, but the foreign buyer 140 does not

15 have up-front cash or is not creditworthy. Trade facilitator 116 enters into an agreement with client 104 pursuant to which trade facilitator 116 gives to client 104 $10 million in cash (transfer 106) and, in return, client 104 agrees to give a CPO contract (transfer 112), valued at 30 million CPUs, to trade facilitator 116. Furthermore, client 104 agrees to "supplier access" (also indicated by arrow

20 112), as described below.

As part of the transaction, client 104 assigns to trade facilitator 116 the payment of $10 million for the delivered tractors from foreign buyer 140. The payment of $10 million from foreign buyer 140 may be sent to trade facilitator 116 immediately upon delivery of the tractors (indicated as a transfer 141) or

25 over a predetermined period, depending on the agreement. To obtain the necessary $10 million in cash, trade facilitator 116 sells to financial institution 120 the trade receivables corresponding to the 30 million CPUs. Financial institution 120 buys a portion of the cash flow corresponding to the 30 million CPUs (transfer 122), and pays $10 million (transfer 124) to trade facilitator 116.

30 Trade facilitator 116 transfers the $10 million cash to client 104 (transfer 106).

As described above, financial institution 120 receives an insurance policy from insurance company 126 to reduce the risk of the CPU purchase (122). The

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insurance policy guarantees that financial institution 120 receives $30 million in cash generated by the CPO contract over the term of the contract. Trade facilitator 116 buys from insurance company 126 the insurance policy (indicated as 128), designating financial institution 120 as the beneficiary, and trade

5   facilitator 116 pays the insurance premium (payment 130).

Trade facilitator 116 receives $10 million (transfer 142) for the delivered tractors from foreign buyer 140 and uses this income as working capital for their different transactions. Furthermore, trade facilitator 116 receives from client 104 the existing supplier access (arrow 112). That is, client 104 will arrange for trade

10   facilitator 116 meetings with existing suppliers 150 and will help trade facilitator 116 to obtain goods and services under similar terms. If client 104 is a large manufacturer with preferred rates from suppliers 150, trade facilitator 116 may have trading opportunities to obtain goods and services at significant savings.

For example, client 104, who is a tractor and truck manufacturer, may have

15   existing agreements with suppliers 150 to buy steel, paint or tires (transaction 158) at significant discounts due to a high volume of purchase orders (transaction 156). Trade facilitator 116 may be able to utilize the same discount in achieving the cost spread. Suppliers 150, in turn, can increase their market share and gain access to the trade facilitator's database of goods and services (shown as transfers 152 and

20   154). Thus, the supplier access granted to trade facilitator 116 by client 104 is a valuable business instrument for creating the cost spread.

As described above, the CPO contract, granted to trade facilitator 116 by client 104, may be structured as a right of first refusal to client 104 to supply goods or services as needed in the ordinary course of business. (Alternatively,

25   the CPO contract (transfer 110) can specify the goods or services to be sold, their quantity, or price, or may have the form similar to the "puts" traded on an open market.) If trade facilitator 116 can supply the needed goods or services to client 104, he has the right to do so under the CPO contract 110. After each transaction is completed, trade facilitator 116 "retires" a certain amount of the

30   CPUs with financial institution 120, depending on the cash flow to financial institution 120. The cash flow to financial institution 120 is a predefined portion of the receivables and reflects the spread between the purchase price paid by

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trade facilitator 116 and the sale price to client 104 (and other transactional costs to trade facilitator 116).

The entire trading process and the process of retiring the CPUs may be computerized, for example using the network of Fig. 1. Client 104 enters via

5   computer 30 the description of goods and services as needed in their ordinary course of business. This description is transmitted via network 12 to trade facilitator network 20. Trade facilitator 116 uses computer network 20 to determine if the client's requirements can be met; that is, whether he can generate a sufficient cost spread for the transaction. If trade facilitator 116 can

10   generate a sufficient spread, the transaction is automatically confirmed over network 12 and is executed. After executing the transaction, trade facilitator 116 transfers the corresponding amount of cash to financial institution network 60 and automatically "retires" the corresponding amount of CPUs.

Referring still to Fig. 4, client 104 can also finance export transactions by

15   granting a CSO contract to trade facilitator 116 as described in connection with Fig. 3. Specifically, trade facilitator 116 enters into an agreement with client 104 pursuant to which trade facilitator 116 gives to client 104 $10 million in cash and, in return, client 104 agrees to give a CSO contract valued at 30 million CSUs. As described above, trade facilitator 116 sells to financial institution 120

20   the trade receivables corresponding to the 30 million CSUs, and obtains for financial institution 120 an insurance policy from insurance company 126 to reduce the risk. In each of the above-described examples, client 104 can receive up to 100% cash payment and recognize an unconditional sale under GAAP.

25   According to another example, the client wants to finance export (international trade) transactions. An Export Credit Agency (ECA), such as the U.S. EXIM Bank, makes funds available to promote commerce. The EXIM Bank can guarantee only a portion of the funding up to 85% of a given transaction. To generate the remaining 15% in cash (or more, depending on the guaranteed

30   portion), the client issues a CPO or CSO contract to a trade facilitator, and the trade facilitator provides the 15% cash portion. To obtain the cash, the trade facilitator sells to a financial institution the trade receivables corresponding to a

specified amount of CPUs or CSUs. At the same time, the trade facilitator buys from an insurance company an insurance policy that guarantees cash flow to the financial institution within the term period of the CPO or CSO contract. Thus, the client can generate the needed cash in a situation, where commercial banks will

5   not participate because they do not want the foreign loan exposure.

According to yet another example, the client wants to sponsor a not-for-profit organization, but does not have the cash to provide funding. Depending on the type of business, the client issues a CPO or CSO contract to a trade facilitator, and the trade facilitator provides in return an asset (e.g., cash

10   payment, goods or services) to the not-for-profit organization. The trade facilitator sells to a financial institution the trade receivables corresponding to a specified amount of CPUs or CSUs, depending on the asset transferred to the not-for-profit organization. At the same time, the trade facilitator buys from an insurance company an insurance policy that guarantees cash flow to the

15   designated financial institution within the term period of the CPO or CSO contract. Thus the client turned his ability to buy or sell goods or services, into a new asset (e.g., cash) donated to the not-for-profit organization without incurring a cost or liability.

According to yet another example, the client wants to create a reserve to

20   fund potential exposure to warranty claims. The client issues a CPO or CSO contract to a trade facilitator, and the trade facilitator provides in return cash to fund a warranty reserve. To obtain the cash, the trade facilitator sells to a financial institution the trade receivables corresponding to a specified amount of CPUs or CSUs. At the same time, the trade facilitator buys from an insurance

25   company an insurance policy that guarantees cash flow to the financial institution within the term period of the CPO or CSO contract.

According to yet another example, the client wants to finance mergers and acquisitions. In an acquisition, a seller (i.e., a party to be acquired) seeks a higher price than the client is willing to pay. The client issues a CPO or CSO

30   contract to a trade facilitator, and the trade facilitator provides in return cash to fund the acquisition. To obtain the cash, the trade facilitator sells to a financial institution the trade receivables corresponding to a specified amount of CPUs or

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CSUs. At the same time, the trade facilitator buys from an insurance company an insurance policy that guarantees cash flow to the financial institution within the term period of the CPO or CSO contract. Thus, the client can generate the needed cash to meet the seller's price without any additional cost.

According to yet another example, the client may be a governmental organization. The governmental organization may need initial cash for an infrastructure project and thus can grant a CPO contract for purchase of goods or services needed in the infrastructure project. The trade facilitator (e.g., a grantee) provides the initial cash in return for the CPO contract. To obtain the cash, the trade facilitator sells to a financial institution the trade receivables corresponding to a specified amount of CPUs. At the same time, the trade facilitator buys from an insurance company an insurance policy, as described above. Thus, the government can generate cash from the private sector with no cost or liability to the private sector (or another part of the public sector).

Importantly, in any one of the above examples, the trade facilitator may also act as the financial institution. That is, the trade facilitator may provide the cash funding itself and insure its ability to generate the necessary cash flow from the CPO or CSO contract. Furthermore, the financial institution buying the trade receivables can be the insurance company also issuing the insurance policy. Similarly, the financial institution may also conduct business as a trade facilitator, thus eliminating the need for a separate trade facilitator. Alternatively, the insurance company may also conduct business as the trade facilitator, thus eliminating the need for a separate trade facilitator.

Fig. 5 illustrates the operation of a system for managing trade finance insurance. In step 160, a perspective client (e.g., client 102, 103 or 104) submits to trade facilitator 116 an application for trade insurance in the form of a request for proposal. In the request, the client discloses the asset, where he would like to achieve asset valuation recovery. Alternatively, the client identifies any other form of saleable asset to be generated.

In step 165, the client describes his own purchasing and sale activities, and any other expenditures expected to occur within the next three years (or another predetermined period). This client data is entered over client computer

network 30 and provided to trade facilitator computer network 20. (In the embodiment where no network is used, the client may provide the above information in any other suitable form.) Storage device 26 stores the provided client information, and any one of trade facilitator's computers (i.e., computer 25, 28A or 28B) processes the client data.

In step 170, the trade facilitator's computer classifies the client data based on the selling or purchasing activities of the client and all relevant commercial terms associated therewith. In step 170, the system also identifies a potential CPO contract or a potential CSO contract. The system also performs a GAAP expense classification such as operating expense, cost of goods or capital expenditures.

In step 180, the system accesses an internal database of various goods or services available for purchase or sale. This database of goods and services is created and frequently updated by receiving buyer data from buyer computer network 40 (step 190) describing goods or services needed by a buyer, and by receiving seller data from seller computer network 45 (step 200) describing goods or services offered for sale.

In step 210, the system determines and reports various trade links by using the database. The system searches for goods and services available for sale or needed to be purchased. The system then determines a future value of the client's purchasing and selling activities based on trade capabilities determined by using a number of factors. The trade capabilities depend on (a) investments in time-sensitive products and excess capabilities (or other capabilities); (b) marketing alliances; (c) purchasing alliances; and (d) trade positions and the database information stored by trade facilitator 116. These trade capabilities also include options to acquire and options to sell positions.

In step 210, the system also takes into account the trade capabilities obtained from prior investments and the trade capabilities based on marketing or purchasing alliances. Different alliance agreements may restrict the type of a product or service or the amount of a product or service that can be acquired for an existing customer or purchased from an existing customer that is an alliance partner. Therefore, the system also classifies the individual clients and

compares them to lists of existing alliance partner customers. In this process, the system evaluates the client's request for a proposal and determines possible direct links (direct transactions shown in step 220), or indirect links (indirect transactions shown in step 230) if there are no direct links, or the indirect links

5   generate a larger spread. In step 240, the system displays the direct links found in step 220.

In step 250, the system displays various alternative trade route "maps" that show the required trades to supply goods or services to a client under a CPO contract, or purchase goods or services from a client under a CSO

10   contract. One aim of the system is to determine the value of a potential CPO contract by evaluating the cost spreads for the individual transactions. Another purpose of the system is to determine the value of a potential CSO contract again by determining the value of the cost spreads for the individual transactions for the corresponding trade route.

15   In steps 260 and 265, the system evaluates the demand for trade capabilities and the demand on acquired trade positions. As the result, the system determines the necessary CPUs or CSUs associated with the proposed CPO or CSO contracts (step 270). As described above, the difference between an acquisition price and the sale price for linked goods or services forms the cost

20   spread. The total cost spread (the total cost difference) must be at least equal to the total number of CPUs or the total number of CSUs. If insurance company 126 requires to achieve a multiple of the number of CPUs or CSUs to reduce their risk. This multiplication factor is also taken into account in step 270. Thus, the system calculates a total number of CPUs or CSUs associated with a

25   potential CPO or CSO contract and provides it to trade facilitator 116. The total number of CPUs or CSUs is included into the approval requirements for the insurance contract (step 280).

Insurance company 126 provides their contract compliance criteria, for example by their insurance company network 50 (step 310). Based on the

30   above-described information, the system formulates CPU or CSU consumption procedure specific to the client information (step 300). In step 320, the system generates an insurance request submission and delivers the submission to

insurance computer network 50 electronically. Alternatively, the submission may be delivered to insurance company 126 by mail or facsimile.

The above transactions utilize the above-described CPO contract (or CSO contract), a Cash Flow Assignment Agreement, a Consent Agreement, a
5   Countertrade Consumption Procedure, and an Insurance Contract. These agreements may be linked together by conditions precedent or conditions subsequent.

An example of the Cash Flow Assignment Agreement is provided in Appendix A. In the Cash Flow Assignment Agreement, the trade facilitator
10   assigns a portion of the cash flow, arising from the CPUs, to the financial institution. This portion of the cash flow corresponds to the profit the trade facilitator is expected to make by supplying the client with the goods or services.

An example of the Consent Agreement is provided in Appendix B. In the Consent Agreement, the client acknowledges and consents to the Assignment
15   from the trade facilitator to the financial institution, transferring all trade facilitator's rights to receive the purchased portion of the cash flow. The client also acknowledges trade facilitator's right, title and interest in and to the CPO contract as it relates to the assigned cash flows. As a condition for receiving a cash payment, the client agrees, in the Consent Agreement, to adhere to the
20   CPO contract, and to follow the Countertrade Consumption Procedures when acquiring goods or services. The client also agrees that financial institution shall have the right to enforce all rights in accordance with the terms of the CPO contract.

The Consent Agreement may include additional clauses as follows: (a)
25   the financial institution is entitled to receive first any partial payment in case of a *bona fide* dispute between the client and the trade facilitator, (b) the client agrees to give up any rights for obtaining any return or refund of the assigned portions of the cash flow transferred to the financial institution, or (c) indemnification clauses for the benefit of financial institution. The Consent Agreement may also include
30   several representations and warranties by the client related to its ability to remain in good financial condition, but does not need to include any representations and warranties by the trade facilitator. Alternatively, the trade

facilitator may provide several representations and warranties related to its ability to remain in good financial condition or perform under the CPO contract.

An example of the CPO contract is provided in Appendix C entitled "Cross Purchase Option Agreement." In the Cross Purchase Option Agreement, the

5   client agrees to acquire specific goods or services from the trade facilitator, by following the Countertrade Consumption Procedures, and agrees to assist the trade facilitator in finding finance for the cash transferred initially as described above. (Similarly, in the CSO contract, client 103 agrees to sell specific goods or services to the trade facilitator, by following the Countertrade Consumption

10   Procedures.) The client and the trade facilitator agree to complete an insurance application that protects the financial institution.

An example of the Insurance Contract is provided as Appendix D entitled "Cross Purchase Option Insurance." The Cross Purchase Option Insurance specifies conditions under which it covers any loss resulting from any CPUs not

15   being consumed by the trade facilitator before the expiration date of the policy. As described above, the CPUs are established pursuant to the CPO contract at the inception date of the policy in the predetermined amount. During the policy period, the trade facilitator has to conform in all material aspects to the Countertrade Consumption Procedure to the reasonable satisfaction of the

20   insurance company. The Cross Purchase Option Insurance also includes standard definitions, exclusions, representations, as known in the insurance industry (e.g., audit provisions, arbitration provisions, liability limits, exclusions due to bankruptcy, acts of war, etc.).

The Countertrade Consumption Procedure is a written procedure

25   describing expenditure policies and guidelines intended to enable the trade facilitator to consume the CPUs. During the term of the insurance policy, the trade facilitator and the financial institution periodically provide to the insurance institution a written report detailing the amounts of CPUs consumed by the trade facilitator.

30   The above-described transactions possess numerous unique advantages and features. While, in the prior art, there are several examples and applications of Countertrade previously known, none of them creates a new and saleable

asset, as described above. Under GAAP, the created saleable asset can be classified as a current asset that can be immediately sold for cash. Furthermore, the present system, method and insurance product can avoid a financial liability associated with the sale of an underperforming asset by a client, under GAAP.

Having thus described the invention and various illustrative embodiments and uses as well as some of its advantages and optional features, it will be apparent that such embodiments are presented by way of example only and not by way of limitation. Those persons skilled in the art will readily devise further modifications developments and enhancements to and improvements on these embodiments, such as variations on the disclosed methods and systems, as well as additional embodiments, without departing from the spirit and scope of the invention. It is impossible to enumerate all of the variations that will quite quickly occur to those in the art. Accordingly, the invention is limited only as defined in the following claims and equivalents thereto.

What is claimed is:

CLAIMS

1. A system for creating an asset, comprising:

an option grantor, having a capacity to purchase goods or services in the course of business, agreeing to grant to the grantee a cross purchase option contract having a predetermined term and agreed conditions;

the grantee receiving said cross purchase option contract having an associated indicator in the form of a known number of cross purchase units which are retired as said goods or services are purchased pursuant to said cross purchase option contract, the grantee providing an asset to the option grantor;

a financial institution purchasing trade receivables from the grantee, the trade receivables being generated by satisfying the option contract; and

an insurance company providing an insurance contract to the financial institution, wherein the insurance contract assures that during the predetermined term said cross purchase option contract will result in a payment to the financial institution sufficient to satisfy the purchased trade receivables.

2. The system of claim 1 wherein as a result of the conditions of the option contract, the option grantor is not required to recognize a liability under applicable accounting rules by issuing the option contract.

3. The system of claim 1 wherein the created asset includes a monetary payment to the option grantor.

4. The system of claim 1 wherein the created asset includes involves purchasing from the option grantor a deficient asset in exchange for a price that is higher than the current market value.

5. The system of claim 1 wherein the grantee is a trade facilitator engaged in commercial trade.

6. The system of claim 5 wherein the grantor is a client of the trade facilitator.

7. The system of claim 1 wherein the grantee is a supplier that can directly supply to the option grantor to satisfy the cross purchase option contract.

8. A system for creating an asset, comprising:

an option grantor, having a capacity to sell goods or services in the course of business, agreeing to grant to the grantee a cross sell option contract having a predetermined term and agreed conditions;

the grantee receiving said cross sell option contract having an associated indicator in the form of a known number of cross sell units which are retired as said goods or services are sold pursuant to said cross sell option contract, the grantee providing a created asset to the option grantor;

a financial institution purchasing trade receivables from the grantee, the trade receivables being generated by satisfying the option contract; and

an insurance company providing an insurance contract to the financial institution, wherein the insurance contract assures that during the predetermined term said cross sell option contract will result in a payment to the financial institution sufficient to satisfy the trade receivables.

9. The system of claim 8 wherein as a result of the conditions of the option contract, the option grantor is not required to recognize a liability under applicable accounting rules by issuing the option contract.

10. The system of claim 8 wherein the created asset includes a monetary payment to the option grantor.

11. The system of claim 8 wherein the created asset includes involves purchasing from the option grantor a deficient asset in exchange for a price that is higher than the current market value.

12. The system of claim 8 wherein the grantee is a trade facilitator engaged in commercial trade.

13. The system of claim 12 wherein the grantor is a client of the trade facilitator.

14. The system of claim 1 wherein the grantee is a buyer that can directly buy from the option grantor to satisfy the cross sell option contract.

15. A method for creating an asset, comprising:

agreeing by an option grantor, which includes a capacity to purchase in the course of business, to grant a cross purchase option contract, having a predetermined term;

receiving the cross purchase option contract by a grantee, the cross purchase option contract having an associated indicator in form of a known number of cross purchase units;

providing a created asset to the option grantor;

purchasing by an institution trade receivables generated by satisfying the option contract; and

providing an insurance contract by an insurance company to the institution, the insurance contract assures that during the predetermined term the cross purchase option contract will result in a payment to the institution sufficient to satisfy the trade receivables.

16. The method of claim 15 wherein the providing of the created asset includes making a monetary payment to the option grantor.

17. The method of claim 15 wherein the providing of the created asset includes purchasing from the option grantor an existing asset in exchange for a price that is higher than the current market value.

18. The method of claim 15 wherein the grantee is a trade facilitator engaged in commercial trade.

19. The method of claim 15 wherein the grantee is a supplier that can directly supply to the option grantor to satisfy the cross purchase option contract.

20. The method of claim 1 wherein the providing of the created asset includes purchasing from the option grantor a deficient asset in exchange for a price that is higher than the current market value.

21. A method for creating an asset, comprising:

providing an option grantor, which includes a capacity to sell in the course of business;

agreeing by the option grantor to grant a cross sell option contract, having a predetermined term;

receiving the cross sell option contract by a grantee, the cross sell option contract having an associated indicator in form of a known number of cross sell units;

providing a created asset to the option grantor;

purchasing by an institution trade receivables generated by satisfying the cross sell option contract; and

providing an insurance contract by an insurance company to the institution, the insurance contract assures that during the predetermined term the cross sell option contract will result in a payment to the institution sufficient to satisfy the trade receivables.

22. The method of claim 21 wherein the grantee is trade facilitator engaged in commercial trade.

23. The method of claim 21 wherein the grantee is a buyer that can directly buy from the option grantor to satisfy the cross sell option contract.

24. A system for creating an asset, comprising:

an option grantor, which includes a capacity to purchase in the course of business, agreeing to grant a cross purchase option contract, having a predetermined term, to a trade facilitator;

5 the trade facilitator engaged in commercial trade receives the cross purchase option contract, having an associated indicator in form of a known number of cross purchase units, providing a created asset to the option grantor;

a financial institution purchasing trade receivables from the trade facilitator, the trade receivables being generated by satisfying the option contract; and

10 an insurance company providing an insurance contract to the financial institution guaranteeing a payment in an amount corresponding to a portion of the known number of the cross purchase units not retired during the option term.

25. The system of claim 24 wherein the created asset is saleable.

15

26. The system of claim 24 wherein the term includes purchasing goods.

27. A method of creating a saleable asset, comprising:

providing a purchase pattern of a grantor of a cross purchase option

20 contract for specific goods or services;

retrieving from a database of a trade facilitator purchase and sell terms applicable to said specific goods or services;

determining the spread between purchase and sell terms of said specific goods or services;

25 calculating an amount of cross purchase units for said purchase pattern of said specific goods or services;

evaluating a cost of insurance for said amount of said cross purchase units for said purchase pattern; and

calculating a value of said cross purchase option contract to create a

30 saleable asset.

28. The method of creating an asset of claim 27 wherein said purchase pattern is an existing purchase pattern accumulated in an ordinary course of business by said grantor.

29. The method of creating an asset of claim 27 wherein said purchase pattern includes one of the following: a type of said goods or services, quantities of said goods or services, a place of delivery of said goods or services, timing of delivery of said goods or services.

30. The method of creating an asset of claim 27 wherein said determining the spread between the purchase and sell terms of said specific goods or services includes employing a network-based system.

31. A computer system for communication with several user interfaces for creating and evaluating an asset, comprising:

a grantor interface constructed and arranged to enter a purchase pattern for a cross purchase option contract for specific goods or services;

a facilitator interface constructed and arranged to provide purchase and sell terms applicable to said specific goods or services, a storage device with a database including the spread between purchase and sell terms of said specific goods or services;

an insurer interface constructed and arranged to enter insurance cost for insuring one cross purchase unit for said purchase pattern; and

a processor arranged to calculate an amount of cross purchase units for said purchase pattern of said specific goods or services, said processor being arranged to calculate a value of said cross purchase option contract.

32. The computer system of claim 31 wherein said facilitator interface includes a seller interface constructed and arranged to enter a sell pattern for said specific goods or services.

33. The computer system of claim 31 connected to a web site accessible by said grantor interface, said facilitator interface and said insurer interface.

34. A method of creating a saleable asset, comprising:

providing a business pattern of a grantor of a cross sell option contract for specific goods or services;

retrieving from a database of a trade facilitator purchase and sell terms applicable to said specific goods or services;

determining the spread between purchase and sell terms of said specific goods or services;

calculating an amount of cross sell units for said purchase pattern of said specific goods or services;

evaluating a cost of insurance for said amount of said cross sell units for said purchase pattern; and

calculating a value of said cross sell option contract to create a saleable asset.

35. The method of creating an asset of claim 34 wherein said business pattern is an existing pattern accumulated in an ordinary course of business by said grantor.

36. The method of creating an asset of claim 34 wherein said business pattern includes one of the following: a type of said goods or services, quantities of said goods or services, a place of delivery of said goods or services, timing of delivery of said goods or services.

37. The method of creating an asset of claim 34 wherein said determining the spread between the purchase and sell terms of said specific goods or services includes employing a network-based system.

38. A computer system for communication with several user interfaces for creating and evaluating an asset, comprising:

a grantor interface constructed and arranged to enter a business pattern for a cross sell option contract for specific goods or services;

a facilitator interface constructed and arranged to provide purchase and sell terms applicable to said specific goods or services, a storage device with a database including the spread between purchase and sell terms of said specific goods or services;

an insurer interface constructed and arranged to enter insurance cost for insuring one cross sell unit for said sell pattern; and

a processor arranged to calculate an amount of cross sell units for said business pattern of said specific goods or services, said processor being arranged to calculate a value of said cross sell option contract.

39. The computer system of claim 39 wherein said facilitator interface includes a seller interface constructed and arranged to enter said seller's pattern for said specific goods or services.

40. The computer system of claim 39 connected to a web site accessible by said grantor interface, said facilitator interface and said insurer interface.

41. A computer system for evaluating an asset arising from future buying of specific goods or services, comprising:

a grantor interface constructed and arranged to enter a purchase pattern of a cross purchase option contract for buying specific goods or services;

a first memory location constructed and arranged to provide a database of purchase and sell terms applicable to said specific goods or services, said database including the spread between purchase and sell terms for said specific goods or services;

a second memory location constructed and arranged to provide a database of insurance cost for insuring one cross purchase unit for said purchase pattern; and

a processor arranged to calculate an amount of cross purchase units for said purchase pattern of said specific goods or services, said processor being arranged to calculate a value of said cross purchase option contract.

5   42. A computer system for evaluating an asset arising from future selling of specific goods or services, comprising:

a grantor interface constructed and arranged to enter a business pattern of a cross sell option contract for selling specific goods or services;

a first memory location constructed and arranged to provide a database of

10   purchase and sell terms applicable to said specific goods or services, said database including the spread between purchase and sell terms for said specific goods or services;

a second memory location constructed and arranged to provide a database of insurance cost for insuring one cross sell unit for said sell pattern;

15   and

a processor arranged to calculate an amount of cross sell units for said business pattern of said specific goods or services, said processor being arranged to calculate a value of said cross sell option contract.

20   43.   An insurance product provided by an insurance company, comprising:

a first element naming as a beneficiary a financial institution that purchases a portion of a cash flow derived when cross purchased units are retired in a process of buying goods or services pursuant to a cross purchase

25   option contract; and

a second element guaranteeing a specified amount to the financial institution during a term of said cross purchase option contract, said specified amount being generated when said cross purchased units are retired in said process of buying goods or services pursuant to said cross purchase option

30   contract.

44. The insurance product of claim 43, wherein said insurance company is also said financial institution that purchases said portion of the cash flow.

45. The insurance product of claim 43, wherein said first element includes said financial institution purchasing said portion of the cash flow from a trade facilitator.

46. The insurance product of claim 45, wherein said trade facilitator receives said cross purchase option contract from an entity and provides to said entity a cash payment.

47. The insurance product of claim 45 including an insurance premium paid by said trade facilitator.

48. The insurance product of claim 46 further including a consent agreement executed by said entity acknowledging grant of said cross purchase option contract to said trade facilitator and consenting to said purchase of said portion of the cash flow by said financial institution.

49. An insurance product provided by an insurance company, comprising:

a first element naming as a beneficiary a financial institution that purchases a portion of a cash flow derived when cross sell units are retired in a process of selling goods or services pursuant to a cross sell option contract; and

a second element securitizing a specified amount to the financial institution during a term of said cross sell option contract, said specified amount being generated when said cross sell units are retired in said process of selling goods or services pursuant to said cross sell option contract.

50. The insurance product of claim 49, wherein said insurance company is also said financial institution that purchases said portion of the cash flow.

51. The insurance product of claim 49, wherein said first element includes said financial institution purchasing said portion of the cash flow from a trade facilitator.

52. The insurance product of claim 49, wherein said trade facilitator receives said cross sell option contract from an entity and provides to said entity a cash payment.

53. The insurance product of claim 49 including an insurance premium paid by said trade facilitator.

54. The insurance product of claim 49 further including a consent agreement executed by said entity acknowledging grant of said cross sell option contract to said trade facilitator and consenting to said purchase of said portion of the cash flow by said financial institution.
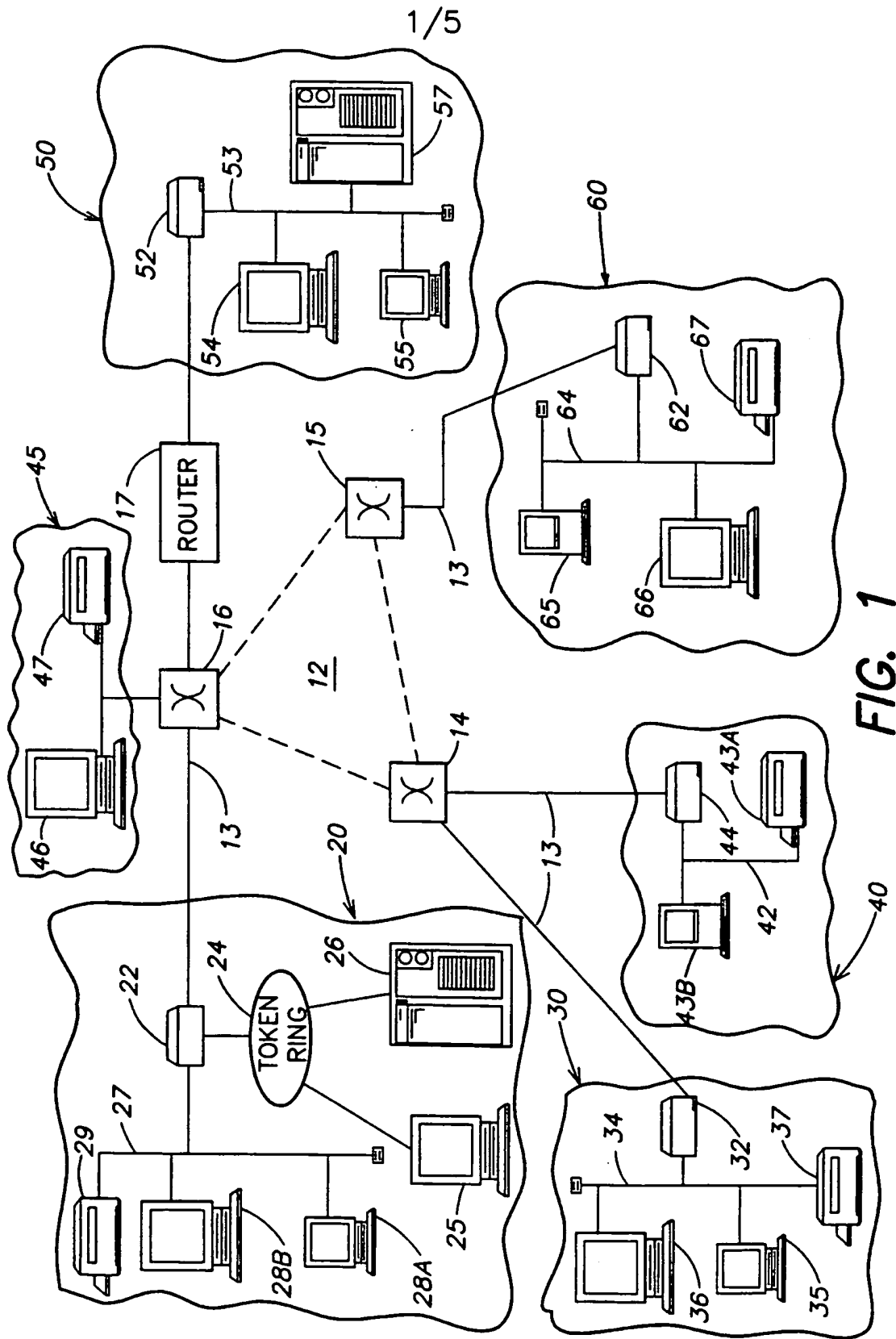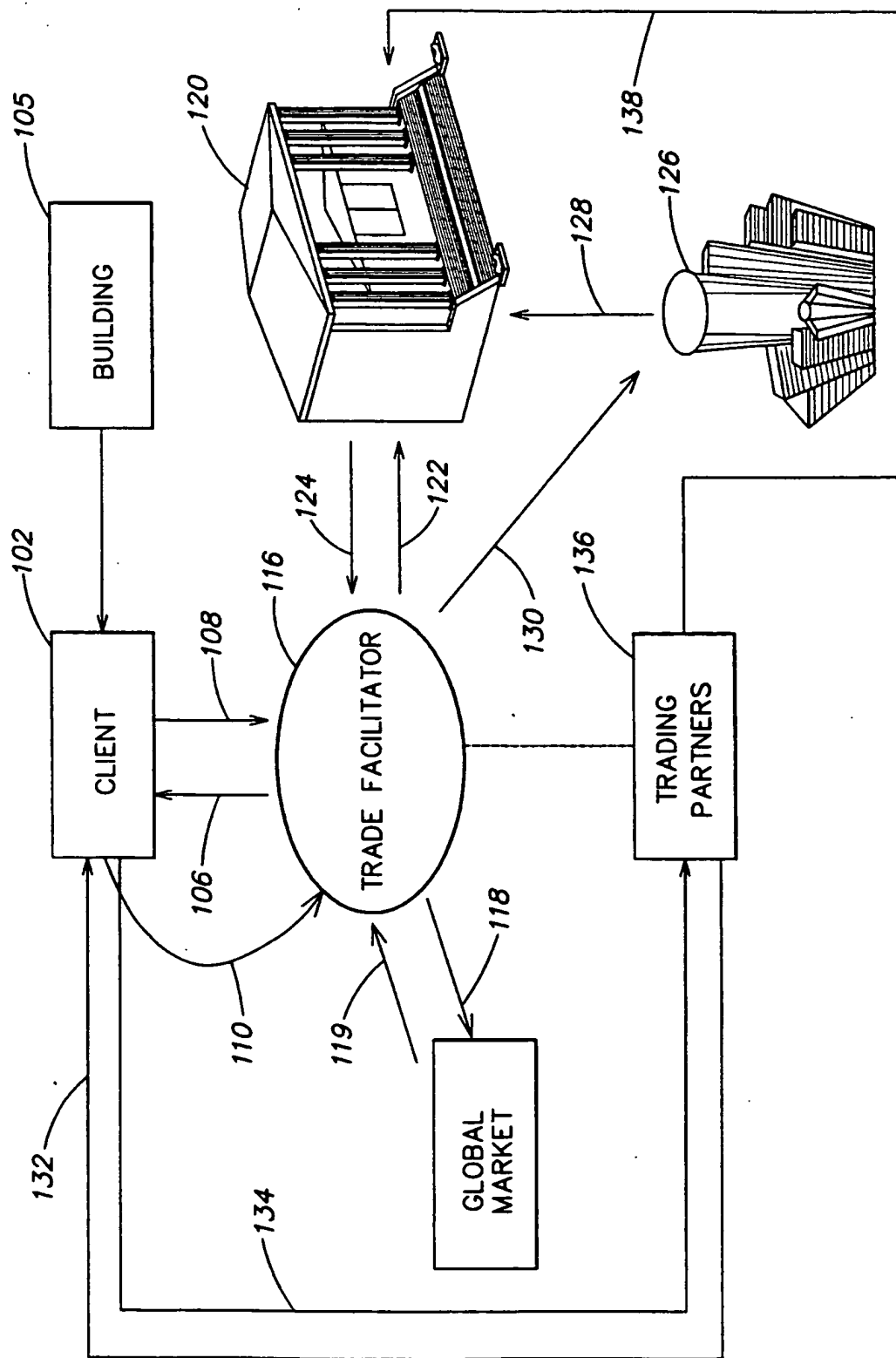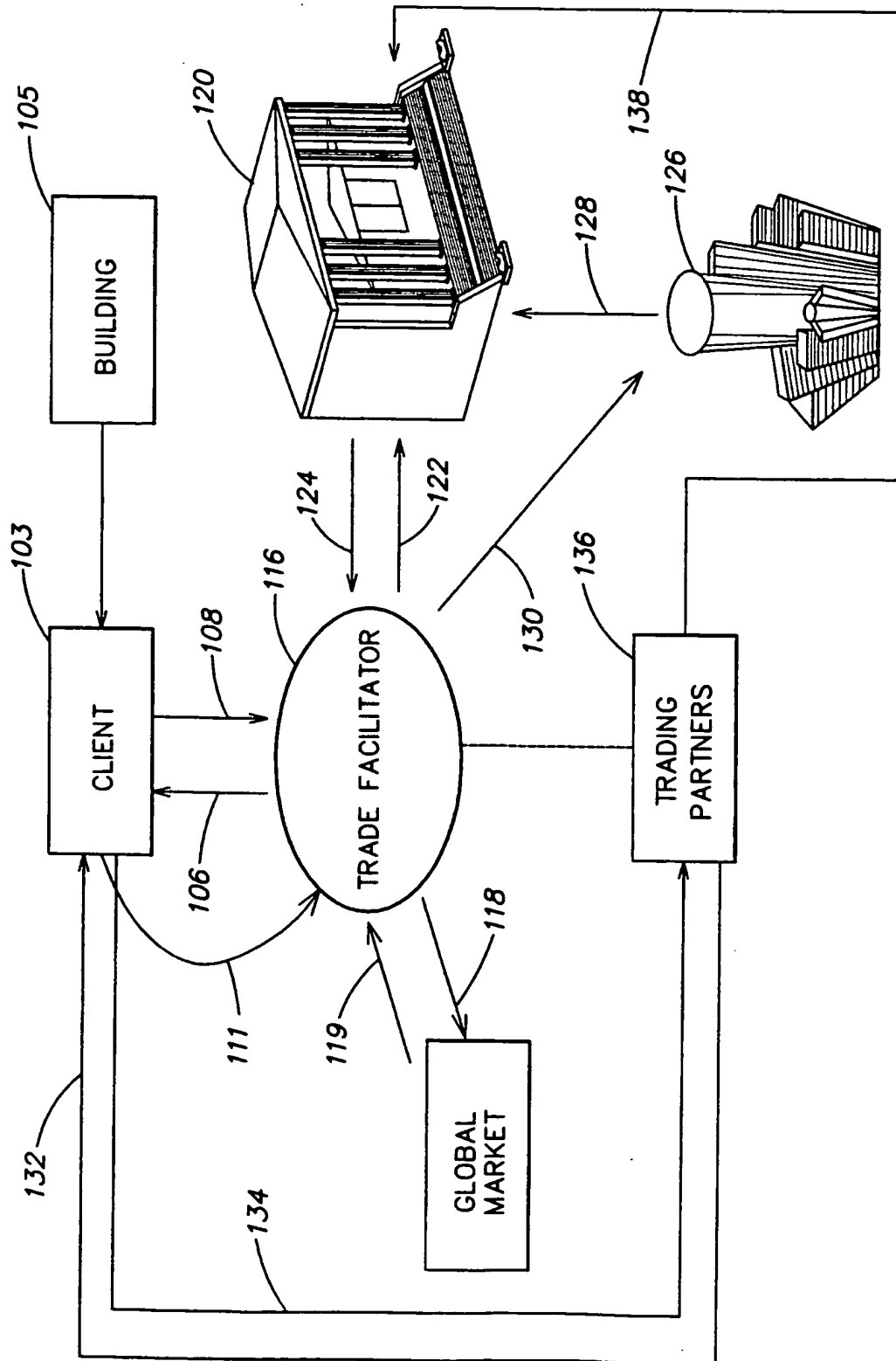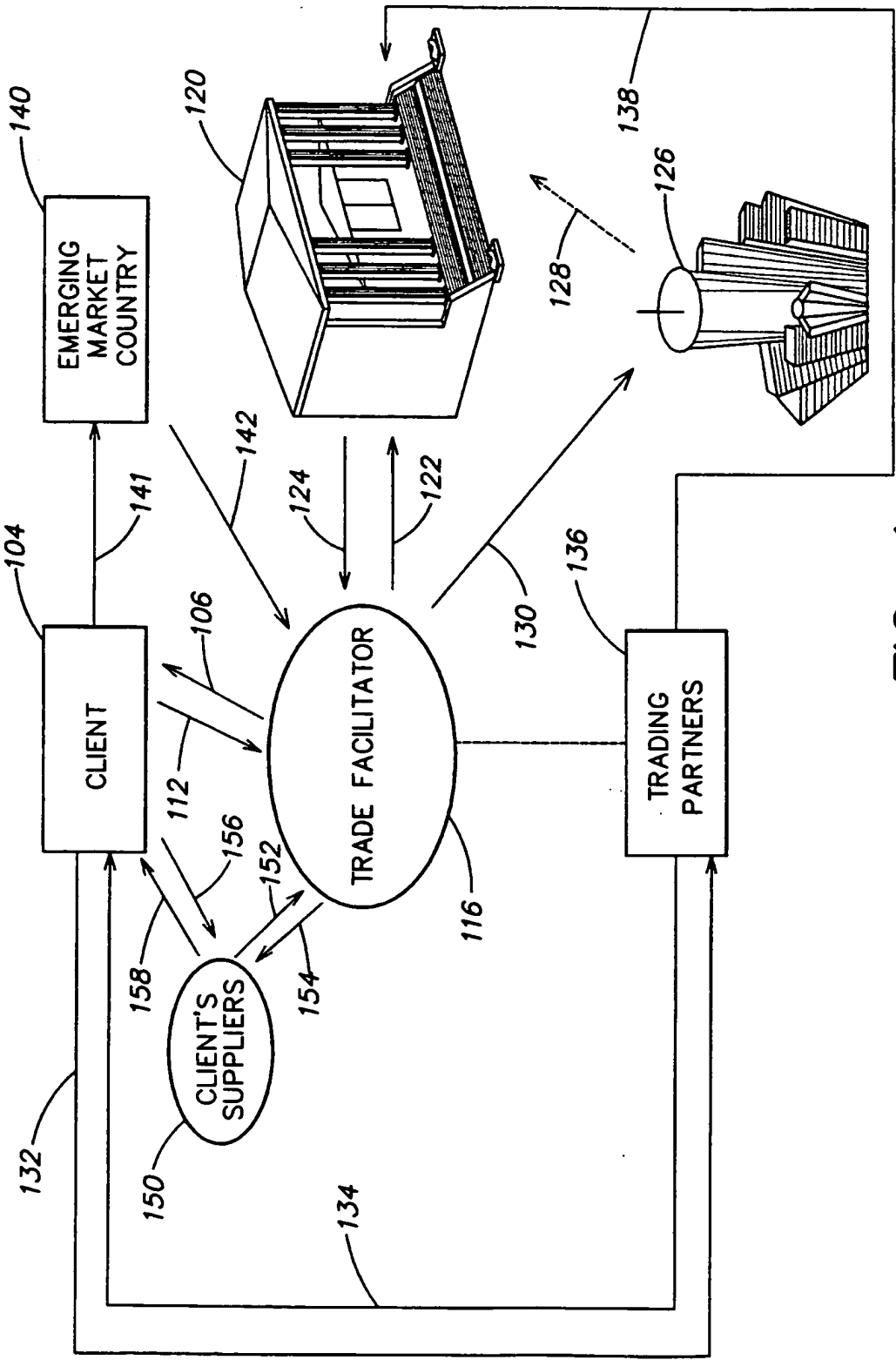
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FIG. 1

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FIG. 2

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FIG. 3

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FIG. 4
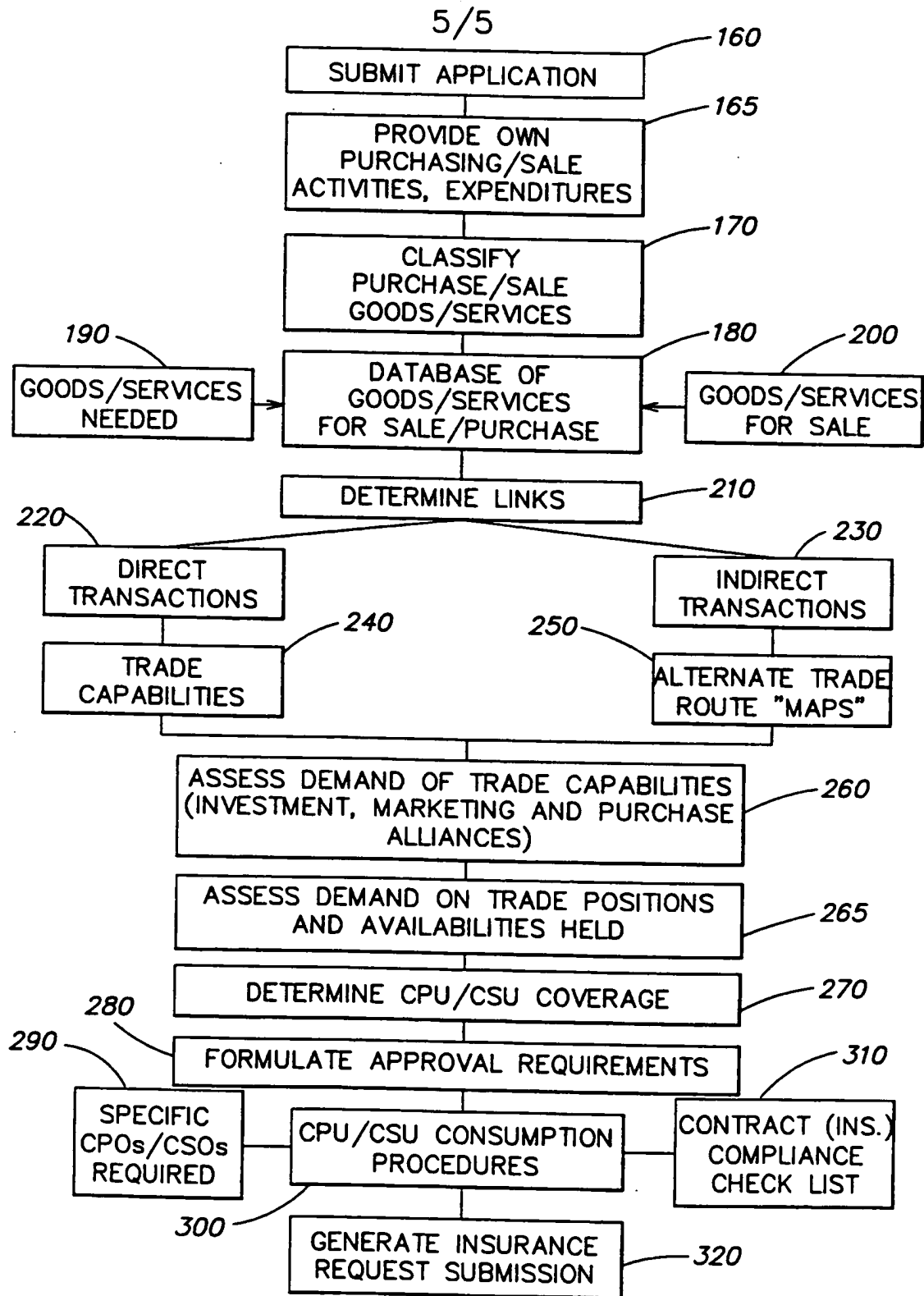
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                    │ PURCHASING/SALE     │
                    │ ACTIVITIES, EXPENDITURES │
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                    ┌─────────────────────┐
                    │     CLASSIFY        │
                    │  PURCHASE/SALE      │
                    │  GOODS/SERVICES     │
                    └─────────────────────┘
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│    DIRECT    │                          │   INDIRECT   │
│ TRANSACTIONS │                          │ TRANSACTIONS │
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┌──────────────┐                          ┌──────────────┐
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│ CAPABILITIES │                          │ ROUTE "MAPS"  │
└──────────────┘                          └──────────────┘
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│ (INVESTMENT, MARKETING AND PURCHASE   │
│   ALLIANCES)   │
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┌───┐
│ ASSESS DEMAND ON TRADE POSITIONS   │ ╱265
│   AND AVAILABILITIES HELD   │
└───┘
┌───┐
│   DETERMINE CPU/CSU COVERAGE   │ ╱270
└───┘
  280
  290 ┌───┐
       │   FORMULATE APPROVAL REQUIREMENTS   │ ╱310
       └───┘
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│   SPECIFIC   │ │   CPU/CSU   │ │ CONTRACT (INS.)│
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       │ REQUEST SUBMISSION│
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FIG. 5

REVISED VERSION

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For two-letter codes and other abbreviations, refer to the "Guidance Notes on Codes and Abbreviations" appearing at the beginning of each regular issue of the PCT Gazette.

(54) Title: SYSTEM, METHOD AND ARTICLES FOR FACILITATING SECURED OPTION CONTRACTS

(57) Abstract:

PATENT COOPERATION TREATY

PCT

DECLARATION OF NON-ESTABLISHMENT OF INTERNATIONAL SEARCH REPORT

(PCT Article 17(2)(a), Rules 13ter.1(c) and Rule 39)

Applicant's or agent's file reference R0545/7002WO	IMPORTANT DECLARATION	Date of mailing*(day/month/year)* 02/04/2001
International application No. PCT/US 00/10865	International filing date*(day/month/year)* 21/04/2000	(Earliest) Priority date*(day/month/year)* 21/04/1999

International Patent Classification (IPC) or both national classification and IPC	G06F 17/60

Applicant
REDDING, JOHN D.

This International Searching Authority hereby declares, according to Article 17(2)(a), that **no international search report will be established** on the international application for the reasons indicated below

1. ☐ The subject matter of the international application relates to:

   a. ☐ scientific theories.

   b. ☐ mathematical theories

   c. ☐ plant varieties.

   d. ☐ animal varieties.

   e. ☐ essentially biological processes for the production of plants and animals, other than microbiological processes and the products of such processes.

   f. ☐ schemes, rules or methods of doing business.

   g. ☐ schemes, rules or methods of performing purely mental acts.

   h. ☐ schemes, rules or methods of playing games.

   i. ☐ methods for treatment of the human body by surgery or therapy.

   j. ☐ methods for treatment of the animal body by surgery or therapy.

   k. ☐ diagnostic methods practised on the human or animal body.

   l. ☐ mere presentations of information.

   m. ☐ computer programs for which this International Searching Authority is not equipped to search prior art.

2. ☒ The failure of the following parts of the international application to comply with prescribed requirements prevents a meaningful search from being carried out:

   ☐ the description ☒ the claims ☐ the drawings

3. ☐ The failure of the nucleotide and/or amino acid sequence listing to comply with the standard provided for in Annex C of the Administrative Instructions prevents a meaningful search from being carried out:

   ☐ the written form has not been furnished or does not comply with the standard.

   ☐ the computer readable form has not been furnished or does not comply with the standard.

4. Further comments: SEE FURTHER INFO

Name and mailing address of the International Searching Authority	Authorized officer
European Patent Office, P.B. 5818 Patentlaan 2 NL-2280 HV Rijswijk Tel. (+31-70) 340-2040, Tx. 31 651 epo nl, Fax: (+31-70) 340-3016	Lucia Van Pinxteren

Form PCT/ISA/203 (July 1998)

FURTHER INFORMATION CONTINUED FROM   PCT/ISA/ 203

The subject matter claimed falls under the provisions of Article
17(2)(a)(i) and Rule 39.1(iii), PCT, such subject-matter relating to a
method of doing business.

The applicant's attention is drawn to the fact that claims relating to
inventions in respect of which no international search report has been
established need not be the subject of an international preliminary
examination (Rule 66.1(e) PCT). The applicant is advised that the EPO
policy when acting as an International Preliminary Examining Authority is
normally not to carry out a preliminary examination on matter which has
not been searched. This is the case irrespective of whether or not the
claims are amended following receipt of the search report or during any
Chapter II procedure. If the application proceeds into the regional phase
before the EPO, the applicant is reminded that a search may be carried
out during examination before the EPO (see EPO Guideline C-VI, 8.5),
should the problems which led to the Article 17(2) declaration be
overcome.